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From: Commander, Naval Supply Systems Command

Subj: STANDARDS OF COMPLIANCE FOR TIMELY RECORDING AND
CLASSIFYING OF NAVY PURCHASE CARD COMMITMENTS AND
OBLIGATIONS

Ref: (a) NAVSUPINST 4200.94
(b) DOD FMR Vol 4
(c) DOD FMR Vol 3, Chap. 8
(d) OUSD(C) PCRM, memo #3, change 1

1. A recent United States General Accounting Office (GAO) audit of the Purchase Card Program highlighted perceived problems with:

- a. Timely and accurate recording of transactions to customer accounts and local accounting records, and
- b. Improper classification of purchase card costs by object class.

These tasks are deemed essential to ensure the reliability of our financial accounting records.

2. Specifically, the GAO audit noted a lack of controls in place to ensure that purchase card transactions were recorded to customer accounts in a timely manner and that local accounting records reflected the proper classification of expense. Timely recording of purchase card costs to projects that received the goods and services acquired by the purchase card are an important control, particularly to working capital fund operations, as it provides their customers with information on the full cost of goods and services provided. GAO also cited problems with proper classification of purchase card transactions in detail accounting records to reflect the nature and type of expenditures made using the purchase card. Accurate object classification data are vital to the reliability of information reported for purposes of Presidential budget submission and projections, as well as congressional oversight activities.

3. It is therefore incumbent upon all agency program coordinators (APCs) and approving officials (AOs) to ensure compliance and accountability of transactions with existing regulations that govern use of the Department of the Navy (DON) purchase card. APCs and AOs should be mindful that appropriate standards of purchase card commitments and obligations are

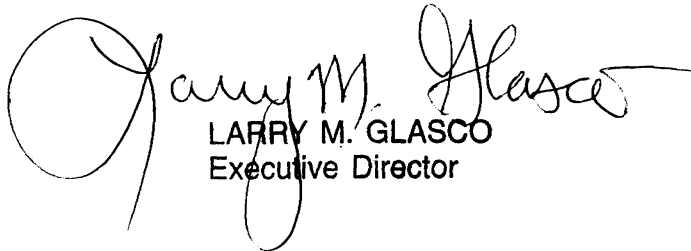
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mandated not only by DON policies and procedures, but are predicated upon those established by the Department of Defense (DOD) Financial Management Regulation (FMR). Commands should ensure that their procedures comply with Ref (a), as well as procedures promulgated by Assistant Secretary of the Navy (Financial Management and Comptroller) and the FMR.

4. Reference (a) provides the policies and procedures for implementation of the purchase card program, including time limitations applicable to reconciliation of purchase card transactions. Reference (b) prescribes DOD Financial Management accounting policies and procedures. Reference (c) establishes proper standards for recording and reviewing commitments and obligations, with more specific attention to unrecorded obligations contained under subsection 0814. Additional guidance regarding purchase card costs by object classes may be found in reference (d).

5. Increased vigilance with regard to existing regulations is appropriate for all facets of the purchase card program, and is not restricted to those elements cited as problematic by GAO. APCs are strongly encouraged to work closely with their financial management counterparts to ensure that the pertinent regulations and controls are understood and followed. The FMR is available online at the following web site:
<http://www.dtic.mil/comptroller/fmr>.

6. Point of contact for questions is Mrs. Bonnie Paraschos, who may be contacted at 717-605-7498, DSN 430-7498, or e-mail at bonnie_1_paraschos@navsup.navy.mil.


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